

Message Text

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43

ACTION TRSE-00

INFO OCT-01 EA-11 ADP-00 EB-11 CIAE-00 INR-10 NSAE-00

RSC-01 L-03 DODE-00 FS-01 RSR-01 /039 W

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R 250913Z JUL 73

FM AMEMBASSY BANGKOK

TO SECSTATE WASHDC 5054

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E.(9. 11652: N/A

TAGS: EFIN

SUBJECT: MILITARY FINANCE MONETARY EXCHANGE PROBLEM

PASS TREASURY

1. EMBASSY HAS BEEN INFORMED THAT LOCAL CHASE AND BANK OF AMERICA BRANCHES MAY REQUEST HOME OFFICES TO APPROACH TREASURY ABOUT PROBLEM WITH MILITARY FINANCE FACILITIES ARISING OUT OF RECENT BAHT REVALUATION. CHASE AND BANKAMERICA NOW ACQUIRING BAHT AT SPOT RATE, BUT SUPPLYING IT TO MACTHAI AT LESS FAVORABLE EXCHANGE EQUALIZATION FUND RATE. THEY REPORTEDLY QUESTION EMBASSY'S AUTHORITY TO SANCTION MFF BUYING BAHT ON COMMERCIAL MARKET AND INTEND TO ASK HOME OFFICES FOR RULING FROM TREASURY.

2. CONDITIONS UNDER WHICH MACTHAI ACQUIRES BAHT FOR OWN SPENDING AND FOR SALE TO MILITARY AND CIVILIAN EMPLOYEES WERE SET FORTH IN TREASURY LETTER TO CHASE AND BANKAMERICA IN 1967. ACCORDING TO LETTER DATE JULY 20, 1967, MFF'S WERE TO OBTAIN BAHT AT THE BANK OF THAILAND'S EXCHANGE EQUALIZATION RATE UNLESS "THE DIPLOMATIC MISSION CONSIDERS IT PREFERABLE TO PURCHASE...(BAHT) FROM THE COMMERCIAL BANKS FOR REASONS OF CONVENIENCE, SECURITY AND ECONOMY. "

3. EMBASSY INTERPRETS THIS LETTER AS AUTHORIZING IT TO APPROVE MFF'S ACQUIRING BAHT AT COMMERCIAL RATE. EMBASSY
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HAS DISCUSSED

THIS PROCEDURE WITH BOT OFFICIALS AND THEY HAVE RAISED NO OBJECTIONS.

4. EXCHANGE MARKET CONDITIONS LEAD EMBASSY TO CONCLUSION THAT IT WOULD BE PREFERABLE TO OBTAIN BAHT AT SPOT COMMERCIAL RATE RATHER THAN AT EXCHANGE EQUALIZATION RATE. RECENT REVALUATION HAS BEEN ACCOMPANIED BY INCREASED SPREAD IN EEF RATE, FROM 19.575 BUYING RATE FOR DOLLAR TO 20.425 SELLING RATE. BUYING RATE ON SPOT COMMERCIAL TRANSACTIONS HAS NOT DROPPED BELOW 19.70 SINCE REVALUATION AND IS 19.95 JULY 26. MAC THAI THEREFORE GETTING BAHT AT DISADVANTAGEOUS RATE AND SOUGHT EMBASSY HELP TO IMPROVE SITUATION. EMBASSY HAS TOLD MAC THAI THAT IT IS READY TO AUTHORIZE MFF'S ACQUIRING BAHT AT SPOT COMMERCIAL RATE IF MAC THAI CHOOSES TO GO THAT ROUTE.

5. ACTION REQUESTED: DEPARTMENT' VIEWS REQUESTED IN PROPOSED AUTHORIZATION TO MFF'S TO BUY BAHT AT COMMERCIAL RATE.
UNGER

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Message Attributes

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Disposition Date: 28 MAY 2004
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